VZCZCXYZ0000
RR RUEHWEB

DE RUEHYN #0178/01 0271144
ZNR UUUUU ZZH
R 271144Z JAN 10
FM AMEMBASSY SANAA
TO RUEHC/SECSTATE WASHDC 3657
INFO RUCPDOC/DEPT OF COMMERCE WASHINGTON DC

UNCLAS SANAA 000178

SIPDIS

DEPT FOR NEA/ARP AMACDONALD
DEPT FOR EB/IFD/OIA DAHN AND TWALSH

E.O. 12958: N/A
TAGS: ECON EINV EIND EFIN ENRG EPET ETRD PTER PGOV YM
SUBJECT: 2010 INVESTMENT CLIMATE STATEMENT - REPUBLIC OF YEMEN

¶1. (U) Below is YemenQs submission for the 2010 Investment Climate Statement.

¶2. (U) Begin text of 2010 Investment Climate Statement for the Republic of Yemen.

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2010 Investment Climate Statement - Republic of Yemen
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Openness to Foreign Investment

Yemen, one of the worldQs least developed countries, offers potential investors inexpensive labor and high tariff rates for project finance compared to more developed countries. There are opportunities for significant returns in the power, fishery, real estate development, infrastructure, and energy sectors. With the implementation of tax incentives for foreign investors, YemenQs investment climate has improved steadily in the past decade. Investing in Yemen, however, is not for the faint of heart. A minefield of potential violations under the U.S. Foreign Corrupt Practices Act awaits potential investors, who should expect to encounter government officials of all levels who solicit bribes at every step of a project. In addition to corruption, other challenges include a lack of security in under-governed areas, a lack of Intellectual Property Rights enforcement, opaque dispute settlement mechanisms, and unclear lines of decision-making authority within the government. Official letters and memoranda to investors and instructions within Yemeni ministries are routinely issued, and then subsequently ignored, by government officials. With the exception of a small handful of Western-educated technocrats, many government officials have a deep cultural suspicion of foreigners profiting from projects in their country. Navigating the inner workings of competing centers of authority within the government is a task best left to a competent local partner.

YemenQs preparations for WTO accession may eventually lead to a freer and more open investment climate for international investors. Yemen still has much ground to cover, however, before meeting WTO membership standards, including the passage of a WTO-compliant customs valuation law. In 1992, the government adopted a uniform investment code for both domestic and foreign investors which created a General Investment Authority (GIA) to coordinate work among eight government agencies. GIA is charged with publicizing investment opportunities and obtaining government ministry approvals on behalf of investors. In 2002, GIA worked with the World Bank's Foreign Investment Advisory service to update YemenQs investment laws, reducing customs duties by 50 percent on imported raw materials and 100 percent on raw materials produced locally for agricultural and fisheries projects. Investments in the oil, gas, and mineral sector are subject to special agreements under the authority of the Ministry of Oil and Minerals and do not fall under GIAQs authority. Other sectors not covered by GIA include weapons and explosives manufacturing, banking and money exchange activities, and wholesale and retail imports. Potential investors can obtain information packets from GIA, including a copy of the investment law, an investment guide summarizing GIA activities, and an application form with instructions, from: Promotion Section, General Investment Authority, P.O. Box 19022, Sanaa, Republic of Yemen (Telephone: 967-1-262-962/3 or 268-205; Fax: 967-1-262-964, E-mail: invest@giay.org, or m_muthana@giay.org; Website: www.giay.org).

Since the unification of North and South Yemen in 1990, Yemen has embarked on a series of reforms aimed at stabilizing the economy and increasing foreign investment. A successful International Monetary Fund (IMF) and World Bank-sponsored government economic restructuring program began in 1995. Reforms included the introduction of a General Sales Tax (GST) and a reduction in domestic petroleum subsidies. The IMF also helped introduce indirect monetary policy instruments, such as open market operations, rediscount facilities, and reserve requirements. Since then, YemenQs macroeconomic factors have largely stabilized.

These reforms helped Yemen accumulate foreign currency reserves that dwindled during the last nine months of 2009 by more than USD 1.41 billion to reach USD 7.41 billion, compared to USD 8.819 billion in the same period in 2008. The Paris Club has rescheduled most of YemenQs external debt, which stood at USD 6 billion at the end of September 2009. In 2008, YemenQs debt-to-GDP ratio was 31 percent, and its debt service-to-export of goods and services was 2.6 percent, according to the Central Bank of Yemen (CBY). YemenQs commercial debt has largely been eliminated through a World Bank grant program.

Between 2003 and 2004, eight companies were privatized, seven of them by public auction, with the remaining company being transferred to the Yemeni Economic Corporation (YECO). In 2007, the government announced the privatization of an additional 15 factories, but as of early 2010 their status was still pending. In the past two years, the CBY has made an effort to improve commercial banksQ accounting procedures and loan recovery rates. The CBY raised capital requirements for each bank to Yemeni Riyal (YR) 6 billion, or about USD 30 million. The banking system remains weak, however, with most commercial banks owned by large families who are reluctant to lend outside small circles. Roughly 4% of Yemenis have bank accounts and most financial transactions occur outside of the commercial banking system. The CBY announced the first liquidation to date of a local bank, the Watani Bank, in 2006. A CBY committee was assigned to evaluate the bankQs assets and financial obligations in order to start distributing the available and collected funds to the depositors and creditors.

Boycott issues: Yemen has stated that, absent an Arab League consensus, it will continue to implement the primary aspect of the Arab anti-Israel boycott.

Conversion and Transfer Policies

As of mid-January 2010, the Yemeni Riyal was trading at YR 219YR/USD 1, but inflation was expected to increase gradually. Most foreign currencies, especially U.S. dollars, are readily available and trade

freely at market rates. Investors may transfer funds in hard currency from abroad to Yemen for the purpose of investment and may re-export invested capital, whether in kind or in cash, upon liquidation or project disposal. Net profits resulting from investment of foreign funds may be transferred freely outside of Yemen. Cash transfers are limited to USD 10,000. Transfers above that amount must be approved by the CBY.

The CBY intervenes regularly in the currency market, selling off U.S. dollar reserves to bolster the local currency. In 2008, the CBY sold USD 1.1 billion to control currency depreciation, an increase from the USD 1.077 billion sold in 2007. By the end of 2009, the CBY had intervened at least seven times, injecting approximately USD 1.24 billion into the exchange market.

Expropriation and Compensation

Since YemenQs unification in 1990, there have been no cases of outright expropriation of property owned by foreign investors. The government recognizes that expropriation, which existed in the former socialist PeoplesQ Democratic Republic of Yemen (PDRY), is contrary to its economic aspirations. Most of the lands expropriated by the PDRY were returned to the rightful owners. Land registration, however, is in its infancy and disputes over both residential and commercial plots are frequent and nearly impossible to adjudicate legally (see Dispute Settlement section). Since deed information is inexact, owners are able to illegally sell multiple copies of a deed. Commercial suit options are extremely time-consuming, prone to corruption, and judgments are often not enforced.

Yemen's investment law stipulates that private property will not be nationalized or seized, and that funds will not be blocked, confiscated, frozen, withheld, or sequestered by other than a court of law. Real estate may not be expropriated except in the national interest, and expropriation must be according to a court judgment and include fair compensation based on current market value.

Dispute Settlement

YemenQs judicial system is inefficient and subject to influence from bribes or family and/or tribal connections. While YemenQs investment-related laws are generally sound, enforcement remains problematic at best. The government has special commercial courts which provide a mechanism for commercial dispute resolution, but they are generally considered unreliable. Yemen is a signatory to the 1965 Convention on the Settlement of Investment Disputes, but not to the 1958 New York Convention on Arbitration. Yemen was sued by U.S.-based Hunt Oil Company in a Paris-based International Chamber of Commerce commercial arbitration court in 2005. The courtQs decision has been kept confidential, according to both sidesQ wishes. Hunt Oil continues to operate in Yemen, although in a much smaller-sized oil exploration block.

Business disputes are generally handled by informal arbitration or within YemenQs court system. In 1998, a private arbitration center, the Yemeni Center of Conciliation and Arbitration, was created by a group of lawyers, bankers, and businessmen as an alternative to the official government-run court system. The Center has settled 52 disputes thus far in the areas of trade, finance, construction, and industry, and is slowly gaining recognition as a viable alternative to the official courts in Yemen. Most Yemeni business owners, however, continue to eschew both government and commercial arbitration courts in favor of informal settlements, resulting in a serious deficiency in the equal application of the law.

Outside investors are best served by establishing a partnership with a Yemeni entity that knows the system, including an international arbitration clause in their contracts, establishing an escrow account, and, where appropriate, demanding as much of the payment as they can get up front. In cases involving interest, most judges use shari'a (Islamic) law as a guideline, under which claims for interest payments due are almost always rejected. Local commercial banks are sensitive to this problem, and lend primarily to large

established trading houses well known to them.

Performance Requirements and Incentives

YemenQs collective body of investment laws does not specify performance requirements as conditions for establishing, maintaining, or expanding investment. Incentives permitted under the law include, but are not limited to: exemption from customs fees and taxes levied on fixed assets of the project; tax holidays on profits for a period of seven years, renewable for up to 18 years maximum; the right to purchase or rent land and buildings; and, the right to import production inputs and export products without restrictions and registration in the import/export register.

Right to Private Ownership and Establishment

Law 23 of 1997 (as amended) regulates agencies and branches of foreign companies and firms and outlines the requirements for establishing a Yemeni agent. Chapter 3 of Law 23 permits foreign companies and firms to conduct business in Yemen by establishing foreign-owned and managed branches. Foreign commercial entities wishing to open branches in their own name must obtain a permit from the Ministry of Industry and Trade.

Under a 2002 investment law, foreigners can own 100 percent of the land and can execute projects without a Yemeni agent and without obtaining import/export license from the Ministry of Industry and Trade or implementing Law 23 of 1997 (the investment law implemented in October 2002 has precedence over other laws). The 2002 investment law appears to contradict longstanding Yemeni commercial laws, however, which limit foreign ownership to 49 percent. The government is currently reviewing the laws in an attempt to remove inconsistencies. In March 2008, the government amended a 1991 investment law allowing foreigners to operate businesses in Yemen without a Yemeni partner.

Mortgage lending in Yemen is rare because of the unwillingness of the court system to uphold the payment of interest or to accept land as a form of collateral. In addition, Yemen has a long history of incomplete or inaccurate land records and frequent land ownership disputes, making the use of real estate as collateral difficult. In 2006, various agencies and ministry departments dealing with land ownership were merged into a common General Land Survey and Planning Authority. This relatively new organization oversees land ownership and registration, as well as modest government urban planning efforts.

Protection of Property Rights

Yemen has a record of inadequate protection of intellectual property rights (IPR), including patents, trademarks, designs, and copyrights. In late 2004, the Cabinet approved the Berne Convention for the Protection of Literary and Artistic Works, as well as the International Agreement on Protecting Intellectual Property Rights. Parliament has yet to ratify these agreements. Yemen has yet to accede to any international IPR conventions and its IPR Law Number 19 of 1994 is not compliant with the WTOQs Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The Ministry of Industry and Trade drafted new laws dealing with patents, trademarks design and copyrights. As of early 2010, Parliament had not passed any of these draft laws. Yemen became a member of the World Intellectual Property Organization (WIPO) in 1999 and is now revising its laws with WIPO guidance. Yemen gained observer status in the World Trade Organization in 2002 and has held regular WTO accession meetings ever since. As part of its WTO accession requirements, Yemen will need to enact its recently revised IPR legislation and take concrete steps to enforce these laws adequately.

In 1999, a large U.S.-based multinational firm won a trademark infringement case in a Yemeni court. More than ten years later, the ruling is still technically under appeal and the violator continues

to infringe on the trademark despite the court ruling. In a second case involving a U.S. company's trademark, a Yemeni appeals court handed down a final ruling in April 2001 in favor of the U.S. company. In August 2003, the Yemeni Supreme Court rejected the appeal of the company producing the infringed products and ordered it to cease production and destroy the infringed trademark. However, this ruling has not yet been enforced.

Transparency of Regulatory System

Implementation and enforcement of YemenQs environmental protection regulations and labor laws are inadequate and non-transparent. Health and safety standards are rudimentary and not enforced. Customs tariff regulations and tax laws remain inconsistent and smuggling is common, but the government has taken steps in recent years to standardize the process with Automated System for Customs Data (ASYCUDA) systems and WTO-compliant customs valuation methods. Since July 2009, a draft customs valuation methods law has sat in Parliament waiting for approval.

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Efficient Capital Markets and Portfolio Investment
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In the 1990s, YemenQs banking system suffered from a large volume of non-performing loans, inadequate loan provisioning, low bank capitalization, and weak enforcement of government banking standards. Under a 1997 World Bank-sponsored financial sector reform program, the government took actions to address these problems. A bank reform law was passed in 1998 to update, strengthen, and regulate the industry. By 2000, CBY had circulated strict regulations pertaining to credit risk management, liquidity, insider lending, foreign exchange exposure, financial leasing and external auditors. Most commercial banks in Yemen comply with a government requirement that they reach a capital adequacy ratio of 8% and meet new classification standards for loan portfolios. Nevertheless, commercial banks still suffer from extremely low capitalization rates and are often owned and operated by large trading families to service their own business needs. As of September 2009, the consolidated balance sheet for all commercial banks operating in Yemen stood at only YR 1.463 trillion (USD 7.315 billion).

In 2000, President Saleh signed a law granting CBY greater independence in order to stabilize prices, limit public sector financing to emergency loans, and increase accountability among commercial banks. The CBY is now authorized to inspect bank implementation provisioning and capital increase schedules and enforce penalties and corrective measures accordingly. In December 2009, the Parliament passed an anti-money laundering and counter-terrorism finance law.

Inter-bank activities are limited, and there are no equity or bond markets. Elements in the government still hope to establish a stock market in Yemen to promote a private sector-led growth strategy. Most domestic and foreign observers, however, believe that the country lacks the expertise to establish a stock market, and that there are insufficient Yemeni investors to sustain an active stock market. The interest rate on Yemeni treasury bills has fluctuated since a high of 23% in 1999 to about 12% in 2009.

Political Violence

Yemen faces significant, recurring problems with terrorism and tribal violence. The country has suffered from a number of terrorist attacks, including the September 2008 suicide attack on the U.S. Embassy in SanaQa in which 18 people were killed and the October 2000 attack on the U.S.S. Cole in Aden harbor, in which 17 U.S. servicemen and women were killed. On March 18, 2008, mortars fired at the U.S. Embassy hit a neighboring girlsQ school, injuring several Yemeni girls. On January 18, 2008, two Belgian tourists and their Yemeni driver were killed in Hadramaut governorate in eastern Yemen. On July 2, 2007, eight Spanish tourists and two Yemenis were killed in a suicide car bomb attack on their convoy in MarQib

governorate.

The security situation in Yemen continued to deteriorate during ¶2009. Al-Qa'ida Yemen announced its merger with al-Qa'ida elements in Saudi Arabia in January 2009, creating al-Qa'ida in the Arabian Peninsula (AQAP). This strategy of consolidation and greater organization received significant publicity and demonstrated al-QaQidaQs reinvigorated recruitment efforts. The creation of AQAP coincided with fewer attacks within Yemen, possibly due to the desire of its leadership to use Yemen as a safe haven for planning of future attacks and recruitment because the central government lacks a strong presence in much of the country. The governmentQs response to the terrorist threat was intermittent and its ability to pursue and prosecute suspected terrorists remained weak due to a number of shortcomings, including draft counter-terrorism legislation stalled in Parliament. The governmentQs focus on the "Sixth War" of the ongoing Houthi rebellion in the SaQada governorate in the north of the country, which began in August 2009 and had not ceased as of early January 2010, political unrest in southern Yemen, and internal security concerns distracted its forces from focusing on counter-terrorism activities.

On March 15, 2009 four South Korean tourists were killed in a suicide bomb attack in the city of Shibam in Hadramaut governorate. On March 18 a motorcade carrying South Korean government officials was attacked by a suicide bomber on the road to Sana'a International Airport. There were also a number of terrorist attacks against Yemeni interests in 2009, particularly Yemeni security and military targets. Revenge for the imprisonment or killing of fellow terrorists and raids on suspected terrorist safe houses by Yemeni security forces motivated the majority of attacks on Yemeni interests. Terrorist elements, either explicitly aligned with AQAP or offshoot actors, attacked Yemeni targets of opportunity in MaQrib and Hadramaut in June, July, October, and November, including the assassination of three high-level security officials. AQAP has shown signs of financial strain, and Yemeni authorities suspect them to have conducted the sophisticated, highly-coordinated attack on a Yemeni bank truck in Aden on August 17, 2009 that resulted in the theft of USD 500,000.

While attacks inside Yemen decreased in number from 2008, AQAP launched a daring attempt on Saudi counterterrorism chief Prince Mohammed bin Nayef's life in Riyadh in August. A known AQAP member, claiming to seek a royal pardon during Ramadan, succeeded in gaining access to bin Nayef and detonated a bomb, killing himself but failing to inflict serious injury on the prince. The suicide bomber is thought to have crossed into Saudi Arabia via the northern Yemeni border.

Despite these security challenges, the government did have some successes in 2009. On January 19, 2009, the Yemeni Counter Terrorism Unit (CTU) conducted a raid on an al-Qa'ida cell in Sana'a, which resulted in the death of two suspects, and the capture of another suspect and a weapons cache, including machine guns, mortars, and rocket-propelled grenades. In March 2009, Abdullah Abdul-Rahman Mohammed al-Harbi, a Saudi AQAP member, was arrested in Ta'iz. Naif Duhais Yahya al-Harbi, another Saudi national AQAP member, surrendered and Hasan Hessian bin Alwan, a Saudi AQAP financier, was arrested in June 2009. On December 17, 2009, strikes were conducted on two significant AQAP sites. Similar strikes followed on December 24. In the wake of these operations, ROYG officials affirmed that they will continue to pursue AQAP operatives.

As Saudi security forces have clamped down on terrorism, and foreign fighters have returned from Afghanistan and Pakistan, Yemen's porous borders have allowed many terrorists to seek safe haven within Yemen. At least 35 known al-Qa'ida operatives, veterans of fighting in Afghanistan, currently reside in Sana'a. The government lacks a strong security apparatus outside major cities and its Counter Terrorism Unit (CTU) and Yemen Special Operations Force (YSOF), the state's two premier counterterrorism entities, still require additional training and funding in order to effectively target terrorist elements. Unfortunately, the government has used the CTU and the YSOF in Sa'ada to fight the Houthis, which has limited their capacity to target AQAP. The government's definition of "terrorism" differs greatly from the USG definition of terrorism. In addition to AQAP attacks, the government also views the Houthi rebellion in

the north, the southern separatist movement in the south, and piracy in the Gulf of Aden as acts of terrorism.
Terrorists have also sought to attack economic targets, specifically in the oil industry, which accounts for more than 70 percent of YemenQs government revenue. On September 15, 2006, two significant attacks were carried out on oil installations. The first involved two explosive-laden trucks detonated at the Canadian Nexen oil pumping facility at Ash Shahir in the eastern governorate of Hadramaut, resulting in one death and two injuries among the local guard force. The second attack occurred at the Safer oil pumping facility in MarQib, where two trucks carrying explosives detonated. In 2002, a French oil tanker was bombed off the coast of Mukallah.

Yemen continues to be plagued by frequent kidnappings, which have traditionally been used as a means for tribes to pressure the government to accede to their demands for resources or improved services. Although a government crackdown in recent years has reduced the number of kidnappings, a couple of high-profile cases occurred in December 2008: three Germans were kidnapped in the Beit Bous area of SanaQa and released after one week in captivity and a South African woman and her two sons were kidnapped in Abyan governorate in southern Yemen and released unharmed a few days later. On June 12, 2009, seven Germans, one South Korean and one British citizen were kidnapped in Sa'ada, likely by al-Qa'ida in the Arabian Peninsula (AQAP) affiliates. The bodies of three women from the group were found on June 16. As of yearQs end, the remaining six hostages were still missing.

Investment projects outside the capital often succeed or fail solely based on the strength of relations with the surrounding tribes. Tribes frequently hijack vehicles belonging to foreign companies in order to pressure the central government to provide additional social services in the area. Attacks on oil pipelines are commonplace in Yemen. These types of attacks occur most frequently in oil exploration and production areas, including, but not limited to, the outlying governorates of MarQib and Shabwah. Tribes in these regions claim they are not getting their fair share of economic activity in their areas, and investors should be very sensitive to the need to build strong and lasting community relations. The provision of community-based services, such as healthcare and education, can contribute to protecting investments in isolated areas.

Corruption

Corruption is a significant impediment to U.S. investment in Yemen, since it is nearly impossible for U.S. investors to verify with any degree of certainty that local partners, the key to any projectQs success, will comply with the letter and the spirit of the U.S. Foreign Corrupt Practices Act. U.S. investors should be aware that Yemeni businessmen have an operating definition of corruption that differs vastly from one that would satisfy an American corporate lawyer. Kickbacks and bribes at every level of government and at every phase of a project are a common way of doing business. Despite ratifying the UN Convention Against Corruption in 2005, Yemen ranked as the 154th most corrupt country out of 180 countries and territories on Transparency InternationalQs 2009 Corruption Perception Index, compared to 141st in 2008. The poorest country in the Arab world, Yemen has a hugely overstaffed and underpaid civil service. One can see ministry employees who make less than USD 300 per month driving luxury cars and traveling abroad in first class. Potential foreign investors are often approached, either directly or indirectly through an intermediary, with offers by government officials to swing a tender or a project license for a Qfee. Illicit activities include soliciting and paying bribes to facilitate project approval, leveraging dispute settlements, changing tax rates and customs tariffs, and engaging in family or tribal nepotism. Government officials at all levels regularly approach investors to serve as Qproject consultantsQ for unjustifiably high rates, a common form of soliciting a bribe that provides officials with some form of plausible deniability. The government recognizes that it must enact civil service and administrative reforms to create disincentives to corruption, but progress has been extremely slow.

Parliament approved the creation of an 11-member Supreme National

Authority for Combating Corruption (SNACC), an independent body with the authority to track down corrupt public officials and retrieve funds obtained through corrupt practices. SNACC is charged with drafting and implementing anti-corruption policies and collecting financial disclosure forms from senior government officials. SNACC can investigate individuals involved in financial crimes and public corruption and refer them to the judiciary for prosecution. Since its creation in 2007, SNACC has collected more than 15,000 financial disclosure forms from public officials and sheikhs and has referred five corruption cases to Yemeni prosecutors for trial. None of the five cases had resulted in convictions as of December 2009.

Bilateral Investment Agreements

The U.S. and Yemen signed a Trade Investment Framework Agreement in ¶2004. According to the General Investment Authority (GIA), Yemen signed three bilateral investment agreements in 2003 and one in 2004, bringing the total number of bilateral treaties to 35. Yemen has bilateral investment treaties with Algeria, Austria, Bahrain, Belarus, Belgium, Bulgaria, China, Djibouti, Egypt, Ethiopia, France, Federation of Russia, Germany, Hungary, India, Indonesia, Iran, Jordan, Kuwait, Lebanon, Malaysia, Morocco, the Netherlands, Oman, Pakistan, Qatar, South Africa, Sudan, Sweden, Syria, Tunisia, Turkey, the UAE, Ukraine, and the United Kingdom. Yemen has signed initial agreements with Croatia, Mongolia, and Romania. As of early 2010, these agreements have not yet entered into force. For more information on YemenQs bilateral investment agreements, please see: www.giay.org or www.investinyemen.gov.ye.

OPIC and Other Investment Insurance Programs

Yemen and the United States signed an investment guarantee agreement in 1972. As of October 1997, OPIC and EXIM Bank provide guarantees for both private and public sector projects of short and medium duration. Yemen is a member of the Multilateral Investment Guarantee Agency (MIGA). The comparatively short length of export credit agency repayment terms for Yemen (in EXIMQs case, seven years) is a significant impediment to the financing of any major investment project. Potential investors should consult early on with representatives from OPIC and EXIM Bank regarding the financing profile of a given project.

Labor

The Yemeni Government generally follows International Labor Organization (ILO) standards regarding labor laws and worker rights. In 1999, it ratified ILO conventions on the elimination of the worst forms of child labor and the minimum work age for employment. As in other areas, the governmentQs implementation and enforcement of labor laws is weak. Child labor is an issue of special concern. Some children work with their families in agriculture. To address this issue, the government signed an agreement to cooperate with the International Program on Elimination of Child Labor (IPEC) in 2000. After ratification of the ILO conventions, the government established the Child Labor Unit at the Ministry of Social Affairs and Labor to implement and enforce child labor laws and regulations. The local pool of skilled labor for technology-intensive ventures is limited.

There is a high rate of illiteracy in Yemen, and the few students who complete secondary education or even university studies often do not possess the same professional standards as their counterparts from Western educational institutions. University graduates also experience difficulty finding appropriate employment and are sometimes unwilling to accept lower skilled jobs. The government is beginning to focus on increasing access to and improving the quality of vocational training as a means to develop a cadre of skilled laborers in high demand fields such as construction workers, medical technicians, electricians, mechanics, plumbers, and carpenters.

Foreign-Trade Zones/Free Ports

The Yemen Free Zone Public Authority was established in 1991 to develop the Aden Free Zone (AFZ). Yeminvest, a joint venture between the Port of Singapore Authority (PSA) and the Bin Mohfoud Group of Saudi Arabia, was awarded the concession to develop the area. Dubai Ports World (DPW) now operates the Aden Container Terminal (ACT) in the AFZ.

ACTQs current annual capacity is 650,000 Twenty-Foot Equivalent Units (TEUs). The 35 hectare container yard can store up to 10,000 boxes. Yemen Ports Authority recently constructed a new 270-meter long and 12 meter-deep dock assigned for unpacking the wheat-loaded vessels. The dock will alleviate burdens of the other seven docks in the port.

An industrial and warehousing estate called Aden District Park (ADP) was launched in November 2002. The Aden Container Terminal and the Aden Free Zone are promising areas for investment. Opportunities in light industry, repackaging and storage/distribution operations are welcomed. Future plans include the development of heavy industry and more extensive tourist facilities in the greater Aden area, although, as of early 2010, the government had made little headway in implementing any of these projects.

Free zone incentives include the possibility of 100 percent foreign ownership, no personal income taxes for foreigners, and a corporate tax holiday for 15 years (renewable for 10 additional years), 100 percent repatriation of capital and profits, no currency restrictions, and no restrictions on, or sponsoring required, for the employment of foreign staff. AdenQs main selling point is its strategic location Q nine days steaming from Europe and seven from Singapore. It is four nautical miles off the main Far East - Europe sea route. For further information, contact: Free Zones Public Authority (AFZPA), (Main Center) P.O. Box 5842 Khormaksar, Aden, Republic of Yemen, Telephones: 967-2-234484/5/6, Fax: 967-2-235-637, e-mail: adenfz@y.net.ye; website: www.adenfreezone.com.

Foreign Direct Investment Statistics

As of early 2010, the General Investment Authority had not yet released foreign direct investment statistics for 2009. In 2008, foreign direct investment in Yemen totaled USD 1.947 billion, 70 percent of total investment. Most U.S. investment in Yemen is in the oil and gas exploration and production sectors.

Web Resources

United States Embassy in SanaQa, Yemen
http://yemen.usembassy.gov

Export.gov
http://www.export.gov/

Export.gov provides online trade resources and one-on-one assistance for U.S. businesses who would like to start or expand global sales.

BRYAN